

**Senate File 2194 - Introduced**

SENATE FILE 2194

BY JOCHUM

**A BILL FOR**

1 An Act creating an Iowa woman-owned business tax credit  
2 available against the individual and corporate income tax,  
3 providing for penalties, and including effective date and  
4 applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. FINDINGS. The general assembly finds that  
2 business ownership by women is essential to the economic  
3 growth and vitality of Iowa, but that women in Iowa continue  
4 to experience barriers to entry into business ownership.  
5 The general assembly recognizes that the existence of these  
6 barriers has resulted in a very low rate, in number and growth,  
7 of women-owned businesses in Iowa compared to the rest of the  
8 nation. Therefore, it is the intent and goal of the general  
9 assembly to encourage and increase business ownership by  
10 women in Iowa and to reduce the gender disparity in business  
11 ownership in Iowa and, to that end, the general assembly  
12 finds that lowering financial barriers by creating the Iowa  
13 woman-owned business tax credit is an appropriate means to  
14 accomplish this goal.

15 Sec. 2. NEW SECTION. 422.10A Iowa woman-owned business tax  
16 credit.

17 1. As used in this section:

18 a. "*Commercial domicile*" means the same as defined in  
19 section 422.32.

20 b. "*Eligible person*" means a woman who is a resident of  
21 this state. For purposes of determining whether a woman is an  
22 eligible person, an equity interest that is sold to or owned  
23 by a corporation, limited liability company, joint venture,  
24 association, or partnership whose commercial domicile is in  
25 this state or an estate or trust with a situs in this state  
26 shall be considered as proportionately sold to or owned by the  
27 entity's owners or beneficiaries, as applicable.

28 c. "*Iowa business*" means a business that has been in  
29 existence and actively doing business in this state for at  
30 least three years and whose commercial domicile is in this  
31 state. "*Iowa business*" includes a sole proprietorship, joint  
32 venture, partnership, limited liability company, corporation,  
33 association, or any other business entity operated for profit.

34 d. "*Purchase price*" means the total amount of consideration  
35 received as cash, credit, property, or other thing of value for

1 which an equity interest is sold, valued in money.

2 2. The taxes imposed under this division, less the credits  
3 allowed under section 422.12, shall be reduced by an Iowa  
4 woman-owned business tax credit to a taxpayer who sells an  
5 equity interest in an Iowa business to an eligible person. The  
6 amount of the credit shall be equal to fifty percent of the  
7 purchase price of the equity interest. In order for a taxpayer  
8 to qualify for the credit, all of the following requirements  
9 must be satisfied:

10 a. The sale of the equity interest must occur on or after  
11 January 1, 2015, but before January 1, 2020.

12 b. Upon completion of the sale, eligible persons must own  
13 at least fifty-one percent of the equity interests in the Iowa  
14 business.

15 c. The eligible person who purchases the equity interest  
16 must retain ownership of the equity interest for at least  
17 twelve consecutive months following the date of the sale and  
18 must provide a written statement to the department and the  
19 taxpayer, in the manner and form prescribed by the department,  
20 certifying that the requirement in this paragraph is satisfied.  
21 An eligible person who willfully makes a false statement under  
22 this paragraph is guilty of a simple misdemeanor.

23 3. A taxpayer shall not claim a tax credit until a tax year  
24 following the tax year in which the sale of the equity interest  
25 occurs. Any tax credit in excess of the taxpayer's liability  
26 for the tax year may be credited to the tax liability for the  
27 following seven years or until depleted, whichever is earlier.

28 4. a. If any amount of the equity interest sold by the  
29 taxpayer is later reacquired by the taxpayer, the department  
30 shall seek repayment of the value of any such tax credit  
31 already claimed to the extent it was calculated using the  
32 reacquired equity interest.

33 b. If any amount of the purchase price used to calculate  
34 the tax credit is in the form of a promissory note, loan,  
35 or other similar form of indebtedness owed to the taxpayer,

1 and the taxpayer later discharges or otherwise forgives  
2 all or a portion of that indebtedness, the department shall  
3 seek repayment of the value of any such tax credit already  
4 claimed to the extent it was calculated using the amount of  
5 indebtedness discharged, unless the discharge of indebtedness  
6 is excludable from gross income under section 108 of the  
7 Internal Revenue Code.

8       c. The failure by the taxpayer to make a repayment required  
9 under this subsection may be treated by the department in the  
10 same manner as a failure to pay the tax shown due or required to  
11 be shown due with the filing of a return or deposit form.

12        5. An individual may claim the tax credit allowed a  
13 partnership, limited liability company, S corporation, estate,  
14 or trust electing to have the income taxed directly to the  
15 individual. The amount claimed by the individual shall be  
16 based upon the pro rata share of the individual's earnings of  
17 the partnership, limited liability company, S corporation,  
18 estate, or trust.

19       Sec. 3. Section 422.33, Code 2014, is amended by adding the  
20 following new subsection:

21     NEW SUBSECTION.   15.   The taxes imposed under this division  
22 shall be reduced by an Iowa woman-owned business tax credit  
23 allowed under section 422.10A.

24       Sec. 4.   EFFECTIVE DATE.   This Act takes effect January 1,  
25 2015.

26        Sec. 5.    APPLICABILITY.

27     1. This Act applies to tax years beginning on or after  
28 January 1, 2015.

29       2. This Act applies to sales of equity interests in Iowa  
30 businesses occurring on or after January 1, 2015.

### EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

34 This bill creates an Iowa woman-owned business tax credit  
35 available against the individual and corporate income tax. The

1 credit is available to a taxpayer who sells an equity interest  
2 in an Iowa business to an eligible person. The credit is equal  
3 to 50 percent of the purchase price.

4 "Eligible person" is defined as a woman who is a resident  
5 of this state. However, for purposes of determining whether  
6 a woman is an eligible person, equity interests sold to or  
7 owned by a corporation, limited liability company (LLC), joint  
8 venture, association, or partnership with a commercial domicile  
9 in this state, or an estate or trust with a situs in this state,  
10 shall be considered as being sold to or owned by the entity's  
11 owners or beneficiaries, as applicable.

12 "Iowa business" is defined as a business that has been in  
13 existence and actively doing business in this state for at  
14 least three years and whose commercial domicile is in this  
15 state, and includes any business entity operated for profit.

16 Several requirements must be satisfied before a taxpayer  
17 is eligible for the credit. First, the sale must occur on or  
18 after January 1, 2015, but before January 1, 2020. Second,  
19 upon completion of the sale, eligible persons must own at  
20 least 51 percent of the equity interests in the Iowa business.  
21 Third, the eligible person who purchases the equity interest  
22 must retain ownership of the equity interest for at least 12  
23 consecutive months following the date of the sale and must  
24 provide a written statement to the department of revenue and  
25 the taxpayer certifying that the ownership requirement was  
26 met. An eligible person who willfully makes a false statement  
27 is guilty of a simple misdemeanor. A simple misdemeanor is  
28 punishable by confinement for no more than 30 days or a fine of  
29 at least \$65 but not more than \$625 or by both.

30 A taxpayer shall not claim the credit until the tax year  
31 following the completion of the sale. Any credit in excess of  
32 the taxpayer's tax liability may be carried forward for seven  
33 years or until depleted, whichever occurs earlier.

34 A woman-owned business tax credit must be repaid by a  
35 taxpayer under two circumstances. First, any amount of credit

1 that was calculated using an equity interest that is later  
2 reacquired by the taxpayer must be repaid to the extent the  
3 credit was calculated using that reacquired equity interest.  
4 Second, if any amount of credit was calculated using an amount  
5 of the purchase price that is represented by a promissory note,  
6 loan, or other form of indebtedness owed to the taxpayer, and  
7 the taxpayer later discharges or forgives all or a portion  
8 of that indebtedness, the credit shall be repaid unless the  
9 discharge of indebtedness was excludable from gross income  
10 under section 108 of the Internal Revenue Code, which, for  
11 purposes of this credit, generally covers situations where  
12 the debtor is in bankruptcy or is otherwise insolvent. The  
13 department of revenue is permitted to treat the failure to make  
14 a repayment of a credit in the same manner as a failure to pay a  
15 tax due on a return or deposit form.

16 An individual may claim the tax credit allowed a  
17 partnership, LLC, S corporation, estate, or trust electing  
18 to have the income taxed directly to the individual, based  
19 upon the pro rata share of the individual's earnings of the  
20 applicable entity.

21 The bill takes effect January 1, 2015, and applies to tax  
22 years beginning on or after that date, and to sales of equity  
23 interests in Iowa businesses occurring on or after that date.